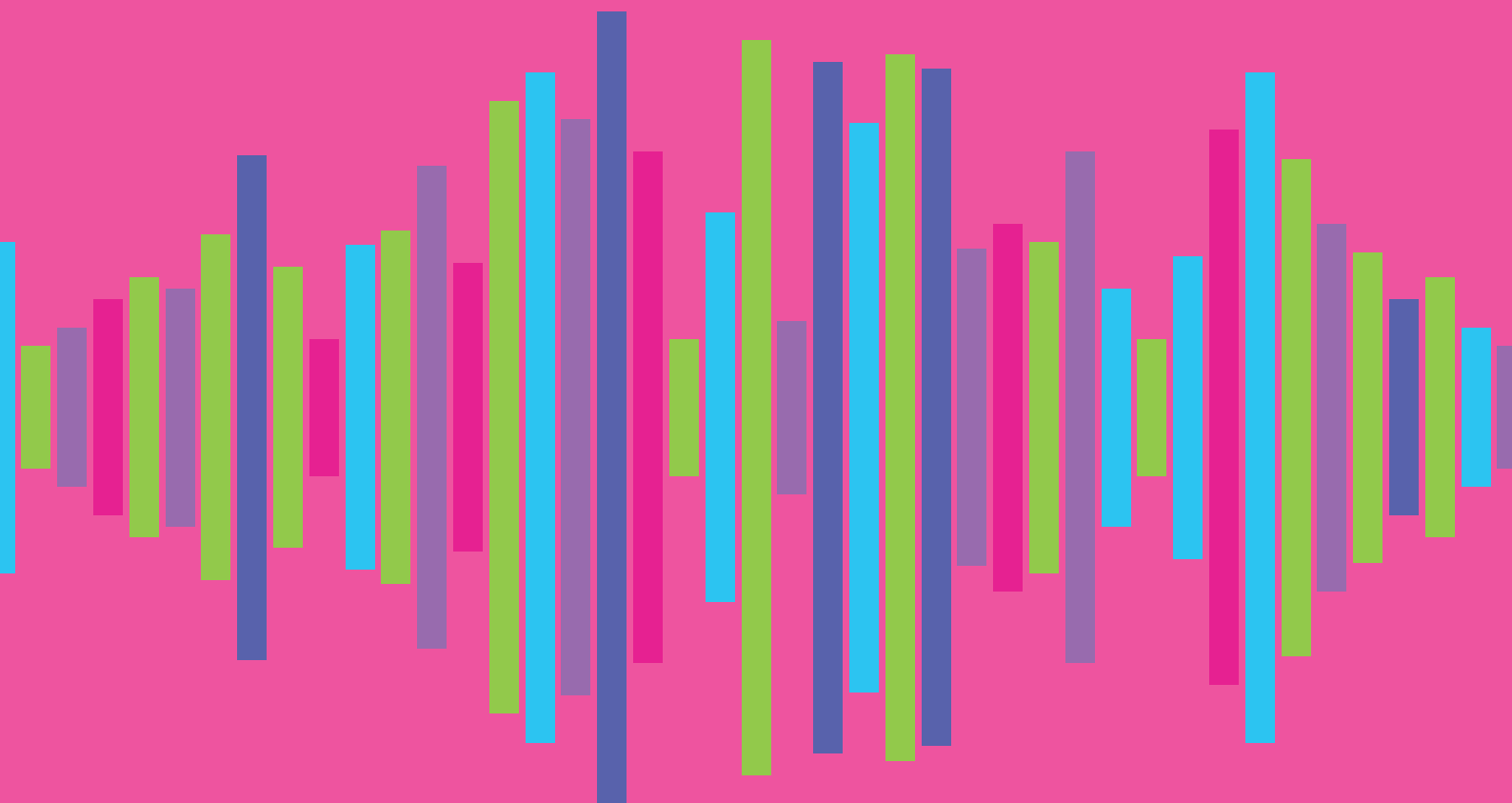


MEASURING MUSIC

2015 REPORT



ACKNOWLEDGEMENTS



Measuring Music is created on behalf of UK Music and its members to highlight the economic contribution of the music industry to the UK economy.

2015 is the third edition of the report, which was first published in 2013.

When we published Measuring Music last year, Tony Clayton, then Chief Economist of the Intellectual Property Office (IPO) said: "The IPO welcomes UK Music's collaborative research on the economic contribution of music. This excellent piece of work meets both the IPO's Standards of Good Evidence and National Accounts standards."

We are pleased to continue to work collaboratively with the IPO on research, as well as with other relevant bodies including Department of Culture, Media and Sport (DCMS) and the Office for National Statistics (ONS). In particular, we are grateful to the ONS for allowing us access to the Virtual Microdata Lab (VML), which has enabled us to apply a bespoke methodology for the calculation of the music industry's GVA.

We are grateful for collaboration from all parts of the music industry with this research. Over the past two years in excess of 1,500 musicians have responded to our survey, giving us a vital and unique insight into their careers. In addition, accountants to some of the UK's leading music acts have provided unprecedented insight into their clients' earning structures.

We have worked with all UK Music members to survey their memberships. This research would not be possible without this enthusiastic participation and vital data inputs from them.

UK Music is the umbrella organisation which represents the collective interests of the UK's commercial music industry- from artists, musicians, songwriters and composers, to record labels, music managers, music publishers, studio producers, music licensing organisations and the live music industry.

Our thanks to Jonathan Todd - Chief Economist at BOP Consulting - for leading this research and to Oxford Economics for peer reviewing it. A full methodological statement can be found on the UK Music website.

UK MUSIC MEMBERS



LIVE MUSIC GROUP

- Association of Independent Festivals (AIF)
- Association of Festival Organisers (AFO)
- Concert Promoters Association (CPA)
- Agents Association (AAGB)
- International Live Music Conference (ILMC)
- National Arenas Association (NAA)
- Production Services Association (PSA)
- Music Venues Trust

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WELCOME



John Whittingdale MP
Secretary of State for Culture,
Media and Sport



Department
for Culture
Media & Sport

BY CULTURE SECRETARY, JOHN WHITTINGDALE MP

Our artists continue to dominate the global charts - and shows from the Royal Ballet and Rod Stewart to the LSO and Status Quo, sell out concerts across the globe. In fact, many people around the world first learn about this country through one of our bands.

Our music industry alone contributes more than £4 billion a year to the UK economy. It creates wealth and jobs as well as providing entertainment to millions.

UK Music's Measuring Music is extremely useful in describing the economic impact of commercial music. Its publication coincides with a roundtable meeting that I am hosting with a wide range of representatives from across the music industry to discuss how we can ensure that British music remains at the top of the charts.

As Secretary of State, I want to do all I can to ensure that British music continues to thrive.

1

FOREWORD

BY UK MUSIC CHIEF EXECUTIVE, JO DIPPLE



Jo Dipple
UK Music, Chief Executive

UK Music is delighted to report that the UK music industry was worth over £4bn to UK GDP in 2014.

Now in its third year, *Measuring Music* showcases the true weight of our commercial music sector. It provides us with the data to accurately tell Government and policy makers just how important an industry we are to the UK economy. It is a unique report that only UK Music could generate thanks to the direct access to our membership's collective data. It has helped plug a longstanding information gap allowing us to give a true and honest reflection of the value of our industry.

The music sector outperformed the rest of the British economy last year by generating 5% growth. Our global success can be measured by the £2.1bn generated in export revenue, thanks in part to a 17% rise in recorded music exports. This contributes to the huge cultural footprint and soft power generated by the international success of artists like *Sam Smith*, *Ed Sheeran* and *One Direction*. The UK is now recognised as the second largest provider of musical

repertoire in the world, boosted not least by the £0.5bn investment from UK record labels and music publishers in 2014.

Music supports in excess of 117,000 full-time jobs across all of its sectors.

While the final figures are impressive, the UK Music survey of musicians revealed that 35% of them are not paying into pension schemes, and 21% of them had undertaken work for free during the past year with the aim of furthering their career. The varying roles, contributions and careers of musicians and songwriters are showcased in a series of case studies in this report.

UK Music will continue to work for the best possible future for every part of our varied and stunningly diverse industry.

KEY FINDINGS

2

TOTAL MUSIC INDUSTRY GVA CONTRIBUTION IS **£4.1bn**

MUSIC EXPORTS CONTRIBUTED £2.1bn TO THE UK ECONOMY. THIS IS OVER HALF OF THE INDUSTRY'S GVA - WELL ABOVE ECONOMY-WIDE RATIO OF AROUND 30%

OUR SECTOR OUTPERFORMED THE REST OF THE BRITISH ECONOMY **GENERATING 5% GROWTH** (UK ECONOMY GROWTH WAS 2.6% IN 2014)

OVER 117,000 PEOPLE ARE EMPLOYED BY THE MUSIC INDUSTRY. THE VAST MAJORITY ARE INDIVIDUALS WORKING IN ITS CREATIVE HEART - COMPOSING, CREATING, RECORDING, AND SHAPING THE FUTURE OF MUSIC

EXPORT GROWTH IN THE RECORDED SECTOR WAS AN IMPRESSIVE 17% IN 2014, REFLECTING THE UK'S STATUS AS THE SECOND LARGEST PROVIDER OF REPERTOIRE IN THE WORLD

LIVE WAS THE SECTOR OF THE MUSIC INDUSTRY WITH THE FASTEST GVA AND EMPLOYMENT GROWTH IN 2014, AS A RESULT OF ALMOST **26.7 MILLION VISITS BEING MADE TO LIVE MUSIC EVENTS IN THE UK IN 2014**

IN 2014 LABELS AND PUBLISHERS INVESTED **£0.5bn** IN NEW BRITISH MUSIC AND TALENT

STREAMING AND THE EVOLVING MUSIC LANDSCAPE



Andy Heath
UK Music, Chairman

BY UK MUSIC CHAIRMAN, ANDY HEATH

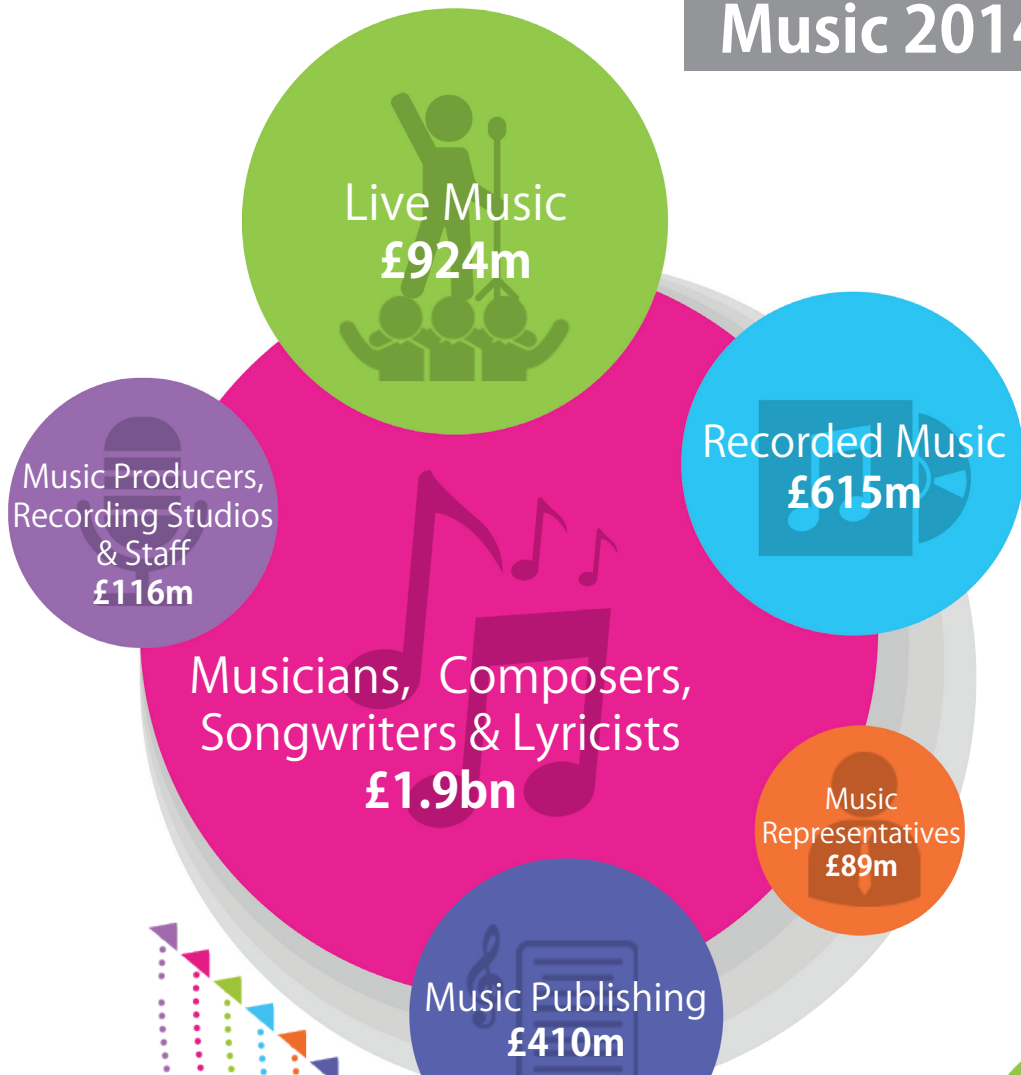
I think it is fair to say that the impact of streaming on the economics of the music industry has surpassed expectations and surprised some. Clearly this is the dominant form of consumption of recorded music and a significant contributor to another year of robust figures for the music industry. The sector is growing again, and that is thanks to the recognition and adoption of new technology and the continued power of a vibrant live music sector. If the unacceptable balance of negotiating power exerted by the digital distributors can be diluted then the music sector will begin to reap the

rewards due to it from global record breaking consumption of our work. If that occurs, the current growth, while welcome, could improve exponentially.

Due to the rapid evolution of recorded music consumption we will be examining our methodology and definitions for next years figures, but the figures in this report are based on exactly the same methods as last year. The pace of change which we are seeing is likely to require (in future) a new perspective on Measuring Music!

Total GVA Contribution Music 2014

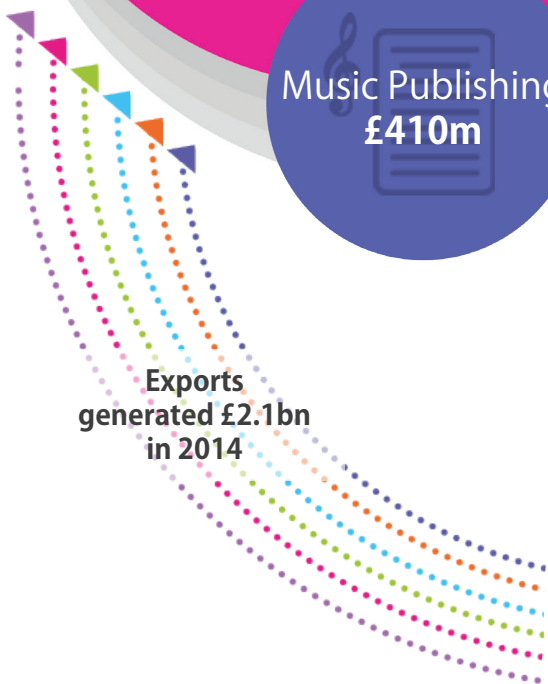
£4.1bn



GVA **↑ 5%**

2014	£4.1bn
2013	£3.8bn
2012	£3.5bn

Overall GVA increased by
5% between 2013-2014



**Total Export
Revenue** **£2.1bn**

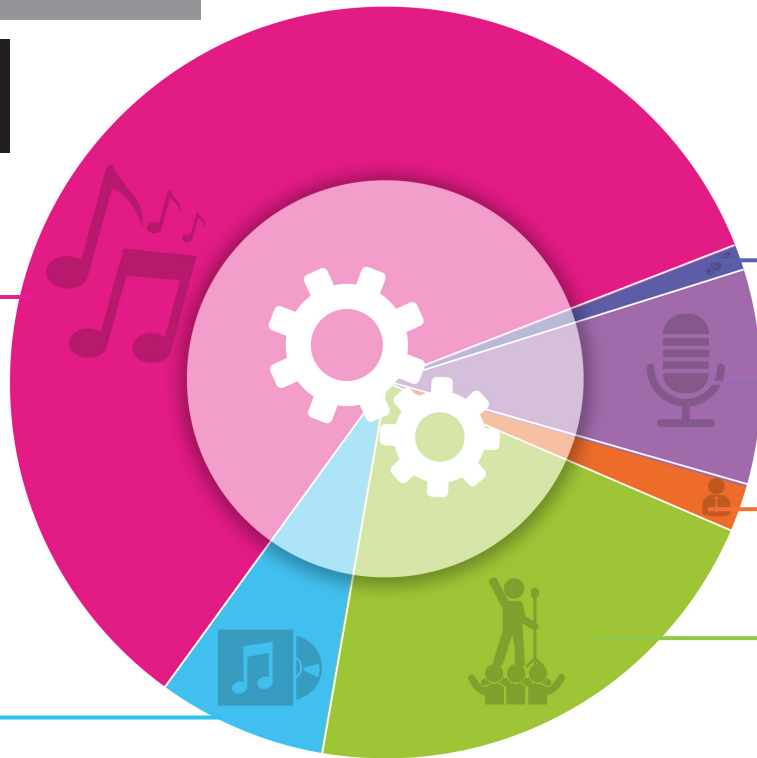
*Export income composes an unusually large proportion of revenue to UK Music Publishing, because of this what remains as total GVA is less than its total export revenue.

Employment

117,320

Musicians, Composers,
Songwriters & Lyricists
69,300

Recorded Music
8,520



Music Publishing
1,200

Music Producers, Recording
Studios & Staff
10,900

Music Representatives
2,300

Live Music
25,100

% Change from 2013

Musicians, Composers,
Songwriters & Lyricists

Live Music

Music Producers,
Recording Studios & Staff

Recorded Music

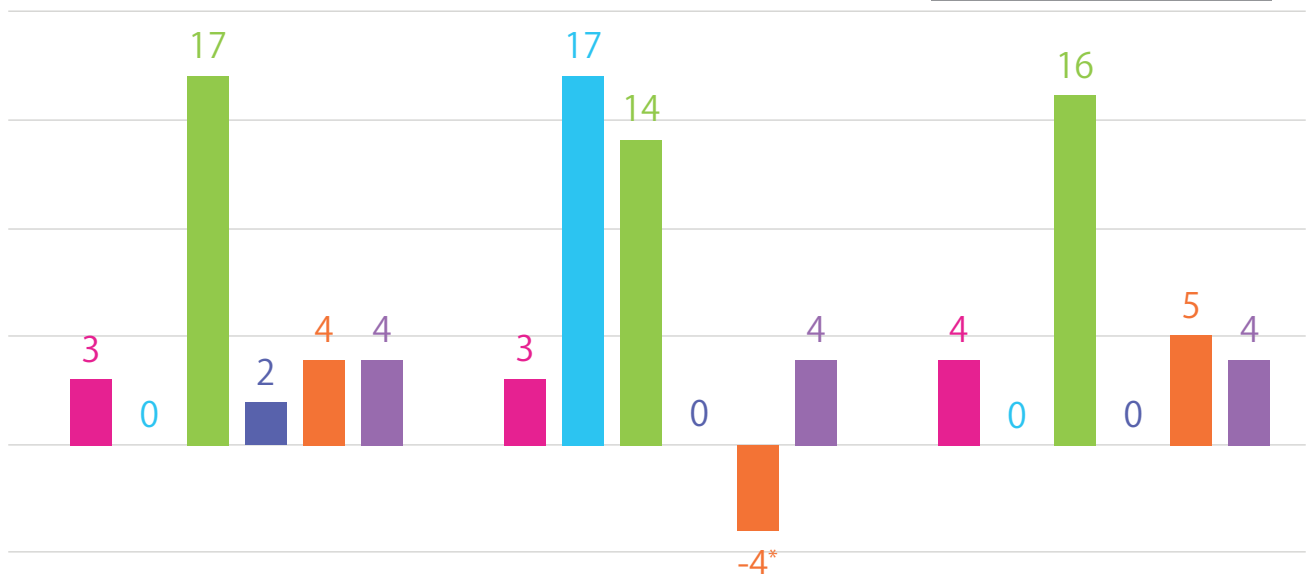
Music Publishing

Music Representatives

GVA

Exports

Employment



*This is a result of the currency fluctuation suffered in 2014, see Page 8 for more detailed analysis

**For publishing change 2013 - 2014, see methodology note on Page 8

3

A&R INVESTMENT

+ £0.5bn
INVESTMENT
IN 2014

The UK music industry is confident in its future. Last year labels and publishers invested half a billion pounds in new music and developing new talent. In addition, other parts of the music industry - collecting societies, managers, artists, live venues and promoters - continue to make important investments in the future of the sector. This early investment is helping to incubate the global music talent of tomorrow.

	2014
A&R expenditure by record labels (£m)	178
Marketing and promotion expenditure by record labels (£m)	157
Investment in writers by music publishers (advances etc.) (£m)	162
Total	497

Sources: Recorded - BPI / Publishing - MPA

UK SUCCESS 2014

ONE IN SEVEN OF ALL ARTIST ALBUMS SOLD ACROSS THE GLOBE IN 2014 WERE BY BRITISH ARTISTS

UK REVENUES FOR BRITISH MUSIC PUBLISHERS TOPPED £400M FOR THE FIRST TIME IN 2014

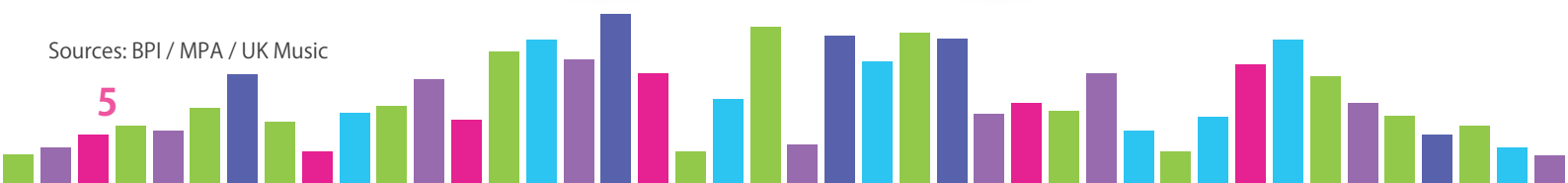
IN 2014 LIVE MUSIC TOURISM CONTRIBUTED £3.1 BILLION TO THE UK ECONOMY

VINYL SALES REACHED AN 19 YEAR HIGH OF 1.3 MILLION UNITS IN 2014

UK MUSICIANS AND SONGWRITERS GENERATED OVER £900M OF INTERNATIONAL REVENUE (EXPORTS) IN 2014

Sources: BPI / MPA / UK Music

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A photograph of Sam Smith performing on stage. He is wearing a dark suit jacket over a white shirt and a dark tie. He has a microphone in front of him and is looking upwards and to the left with an expressive face. The background is dark with some blurred lights.

SAM SMITH

Sam Smith's multi-platinum debut album *In the Lonely Hour* has sold over 9 million copies globally and was the only album to sell over a million copies in 2014 in both the UK and the US. *In the Lonely Hour* recently notched up a record breaking 67th consecutive week in the official album charts Top 10 – The longest unbroken run ever for a debut album.

At the 2015 Brit Awards, Smith won awards for British Breakthrough Act and Global Success. The recent announcement that he would be the first UK male singer in over 50 years to perform the James Bond theme song 'Writing's On The Wall' for *Spectre*, was matched by the even more impressive accolade of being the first ever Bond theme to reach number 1 in the UK singles chart.

Smith is an alumni of Youth Music Theatre UK, supported by bodies including the Arts Council, CC Skills and the Mayor's Music Fund, underlining the importance of public support for the arts.

In the Lonely Hour is an example of how the vibrant British music ecosystem works together. Every album track featured British writers including Smith, Ben Ash, William Phillips, Eg White, Simon Aldred, Matt Prime, Fraser T Smith, Elvin Smith and James Napier. In February 2015, Smith and Napier picked up the 'Best Song' Grammy for *Stay With Me* - both are represented by UK artist management company Method Music.

Photo credit | Mark Allen / BBC

A portrait of Alex Gascoine, a middle-aged man with short, light-colored hair, wearing a blue and white striped shirt. He is smiling slightly and looking directly at the camera. The background is a plain, light color.

ALEX GASCOINE

For the past 25 years, Gascoine has been a second violinist with the BBC Scottish symphony orchestra, which provides around seventy five performances annually for Radio 3. It also performs about forty concerts a year all over Scotland as well as internationally. Concerts during the past year have been in locations as far afield as China and Orkney, as well as performances at the BBC Proms, one of the best known musical events in the world.

Their performances were also broadcast to hundreds of millions

of people via the Public Service Network in India last year. A great example of how the five BBC Orchestras help add to the soft power footprint of UK culture across the globe.

Photo credit | Musicians Union

FKA TWIGS

London's FKA twigs is the project of Twigs, aka Tahliah Barnett, a half-Jamaican native of Gloucestershire. Surrounded by farmland during her teens, she studied ballet and sang on tracks recorded at a studio in a local youth club. By the time she was 16, Twigs had already begun writing songs in earnest. She moved to London to pursue a career as a dancer aged 17, appearing in videos for songs by Jessie J, Ed Sheeran, Kylie Minogue and Taio Cruz, before focusing on music full-time.

Twigs self-released her self-titled EP in 2012 via Bandcamp. This was followed in 2013 by her breakout EP2, released on the Young Turks label. FKA twigs was later shortlisted for the BBC's Sound of 2014 poll, which preceded the arrival of her simply named debut album, LP1. The album

was released in August 2014 to widespread critical acclaim, including a Mercury Music Prize and two Brit Award nominations. FKA Twigs took home the Independent Track of the Year prize for her track Two Weeks at the 2015 AIM awards, and was also the most nominated female act at the 2015 MOBO Awards.

She performed at the 2015 Manchester International Festival and has wowed audiences the world over with her striking and theatrical live performances.

FKA twigs returned with the M3LL155X ("Melissa") EP in August 2015, with critics and fans alike now eagerly awaiting her follow-up second album.

Photo credit | Dominick Sheldon

PETE MURRAY

After graduating from the London College of Music and the Guildhall, Pete Murray has had a 30 year career as a musician working in studios and at live events, including 10 years playing keyboards for the house band of the BBC's Strictly Come Dancing.

Other TV work has included shows such as The Voice and X-Factor, while Pete has also played on sessions for the likes of Robbie Williams, Pet Shop Boys, Seal, Will Young, Jeff Beck and Shirley

Bassey. In a long and varied career as a self-employed musician, Pete has valued the protections and support that MU membership has brought.

Photo credit | Ozzie Henderson

METHODOLOGY NOTE

We are constantly seeking to improve the accuracy of *Measuring Music* but have followed the same methodology as in previous editions. Data inputs have improved in a number of respects.

First, we have previously defined UK songwriters and musicians by residency in the UK. However, this understates the economic contribution of UK musicians and songwriters. We have, therefore, applied all payments by PRS for Music to songwriters and PPL to performers to our model. This will include some payments to songwriters and performers who are not British. This will be more than compensated for by UK songwriters and performers who are not members of PRS for Music, but direct members of US or other societies.

Second, we have also updated the publisher figures to be consistent with the latest PRS for Music and MCPS distributions for the relevant years. Finally, we restrict estimation of live music exports to expenditures at gigs or festivals, rather than all expenditures incurred in relation to these events, such as travel and transport, which we cover in our *Wish You Were Here* report.

Jonathan Todd, Chief Economist at BOP Consulting

Notes

From Page 3. GVA is the grand total of all revenues, from final sales and (net) subsidies, which are incomes into businesses. Those incomes are then used to cover expenses (wages & salaries, dividends), savings (profits, depreciation), and (indirect) taxes. Total Export revenue equals the total receipts generated from music within all sectors from outside the UK.

From Page 4. Currency fluctuation in 2014: The Euro fell 5.6% in the year to December 3rd 2014. This meant that the sterling value of international revenues from many key export markets declined, with the decline.

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